Nos. 14-1513 & 14-1520

IN THE

Supreme Court of the United States

HALO ELECTRONICS, INC.,
Petitioner,

v.

PULSE ELECTRONICS, INC., ET AL.,
Respondents.

STRYKER CORP., ET AL.,
Petitioners,

v.

ZIMMER, INC., ET AL.,
Respondents.

On Writs of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF DELL, APPLIED MATERIALS, BJ'S WHOLESALE CLUB, INC., CCIA, CTIA, FACEBOOK, GLOBAL AUTOMAKERS, HP, HTC, THE INTERNET ASSOCIATION, JCPENNEY, LIMELIGHT NETWORKS, MGA ENTERTAINMENT, MICRON, NATIONAL RETAIL FEDERATION, QVC, RACKSPACE, RED HAT, SAMSUNG ELECTRONICS, SANDISK, SAS, VARIAN MEDICAL SYSTEMS, VIZIO, AND XEROX AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICI CURIAE*[1]

Amici are technology companies, trade associations of Internet, wireless communications, automotive, and computer companies, and retailers that use and sell high-tech products. We represent more than $5 trillion of market capitalization and employ many of the world's most innovative computer scientists and engineers.[2]

Insisting on objectively clear lines as a predicate for enhanced damages is especially important in patent cases involving technology companies, which often involve old, fuzzy patents (issued before this Court's decisions in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), and *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014), and before the Patent Office's patent quality improvement initiatives) and complex products that use technology from multiple suppliers. Reliably determining whether such products infringe such patents often involves an inordinate amount of lawyer time and fact investigation.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), counsel for *amici* represent that all parties have consented to the filing of this brief. The parties in No. 14-1513 and petitioners in No. 14-1520 filed letters with the Clerk granting blanket consent; written consent of respondents in No. 14-1520 is being submitted contemporaneously with this brief.

[2] *Amici* are fully listed in the Addendum to this brief.

INTRODUCTION AND SUMMARY

Under 35 U.S.C. § 284, if patent damages have been found by a jury or assessed by the court, "the court may increase the damages up to three times the amount found or assessed." Discretion conferred by the statutory term "may" "is rarely without limits" supplied by context, *Independent Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 758-59 (1989), and must always be exercised according to "'sound legal principles,'" *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005) (quoting *United States v. Burr*, 25 F. Cas. 30, 35 (C.C.D. Va. 1807) (Marshall, C.J.)). The present cases concern the principles that inform and the limits that constrain discretion under § 284.

The Patent Act's history and this Court's precedents show that a district court may award enhanced damages only as punishment for culpable misconduct – which means willful patent infringement. Respondents have made these points ably. *See* Pulse Br. 13-19; Zimmer Br. 11-19. Even the Solicitor General, despite his support for petitioners, concludes that § 284 "should be construed to ratify and incorporate the pre-existing standards under which courts could award enhanced damages to punish egregious misconduct." U.S. Br. 8.

Petitioners resist that conclusion. They argue that a district court may enhance damages "even if a defendant's conduct is not aggravated in any sense," based on a "case-by-case" finding that ordinary damages do not compensate the patent holder. *E.g.*, Stryker Br. 42. That would be an unwarranted departure from the interpretation long given to § 284 and its predecessors by this Court, and the intent of Congress to adopt that interpretation.

Part I of this brief sets forth the historical background of § 284 in detail, to show that petitioners' rendition of the history is fundamentally incorrect. That background shows overwhelmingly that § 284 was intended as a punitive-damages provision, which courts would use to punish willful and egregious misconduct. Indeed, the role of enhanced patent damages as a statutory form of punitive damages was settled by this Court more than 150 years ago, when it identified the predecessor of § 284 as intended to punish the "wanton and malicious pirate" of a patented invention. *Seymour v. McCormick*, 57 U.S. (16 How.) 480, 488 (1854). This Court and the lower federal courts reiterated that understanding in many cases before the Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792, and Congress did nothing to redefine enhanced damages as anything other than punitive when it enacted § 284 in its present form. The identification of § 284 with punishment should now be firmly settled.

Part II shows that the understanding of § 284 as punishment for culpable misconduct explains and justifies not only the subjective part of the *Seagate* test (which concerns the infringer's mental state) but also the objective part (which focuses on the reasonableness of the infringer's legal position). *See In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc). Before a court punishes for wrongdoing, it should ensure that the alleged wrongdoer stepped across a clear line and did so on purpose – or, at least, with reckless disregard for a legal obligation. That principle is recognized in *Safeco Insurance Co. of America v. Burr*, 551 U.S. 47, 68 (2007), in which the Court adopted (at the urging of the United States) a rule that a defendant's subjective

good faith is irrelevant to willfulness where that defendant's legal position is objectively reasonable. The same principle is recognized in venerable patent precedent, such as *Consolidated Rubber Tire Co. v. Diamond Rubber Co. of New York*, 226 F. 455 (S.D.N.Y. 1915), *aff'd*, 232 F 475 (2d Cir. 1916), in which Judge Learned Hand explained that enhanced damages are appropriate only when infringers have done "what they *necessarily* knew they had no right to do." *Id.* at 464 (emphasis added). And it prevails in other areas of the law involving statutory punishment for theft of rights and violations of complex regulatory schemes.

In the context of the Patent Act, that traditional principle is further reinforced by Congress's directive forbidding courts from finding willfulness based on a "failure to obtain the advice of counsel with respect to any allegedly infringed patent." 35 U.S.C. § 298. If the courts were to apply petitioners' proposed rule, they would be doing just that: disregarding reasonable legal defenses in order to punish conduct as willful because those defenses were first raised at trial and not prepared in an earlier opinion of counsel.

This Court should hold, as the Federal Circuit did in *Seagate*, that punishment for patent infringement is appropriate only if an accused infringer knowingly or recklessly disregards an objectively high risk of infringing a valid patent – that is, where "wanton and malicious pirate[s]," *Seymour*, 57 U.S. (16 How.) at 488, have done what "they necessarily knew they had no right to do," *Consolidated Rubber*, 226 F. at 464. Outside such fortunately rare cases, a patent holder is restricted to seeking the ordinary recovery of "damages adequate to compensate for infringement." 35 U.S.C. § 284.

ARGUMENT

I. ENHANCED DAMAGES FOR PATENT INFRINGEMENT HAVE LONG BEEN UNDERSTOOD AS PUNITIVE DAMAGES FOR EGREGIOUS, WILLFUL MISCONDUCT

This Court should reject petitioners' contention that a district court may enhance damages because it believes a particular patentee has not been adequately compensated by ordinary damages for patent infringement. Enhancement is appropriate only to punish wrongdoing, and wrongdoing means willful patent infringement. Those conclusions follow because enhanced damages have been recognized as punitive damages for more than 150 years, at least since *Seymour*; and that settled judicial understanding was confirmed as a matter of statutory law when Congress enacted § 284 without substantive change.

A. Congress Rejected Broad Treble Damages in the Patent Act of 1836

Current § 284 descends from § 14 of the Patent Act of 1836, ch. 357, 5 Stat. 117, 123, and inherits its punitive nature. To understand why courts have long considered those provisions punitive, it is useful to look at the status quo that Congress rejected in 1836.

The Patent Act of 1793 contained the first treble-damages provision in American patent law. Ch. 11, § 5, 1 Stat. 318, 322. In it, Congress mandated that patentees receive "at least" three times the sale price or licensing fee charged for use of the invention.[3] A

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[3] The mandatory treble-damage provision in the Patent Act of 1793 was apparently motivated by a fear that juries would be hostile to patent rights; it has been traced to an influential pamphlet arguing that "'the people, in the remote parts of the states are opposed to all patent rights. [I]n all probability, a jury of them would bring in a verdict of *one dime* damages

few years later, Congress modified the rule by instructing courts to award an amount "equal to" three times actual damages. Patent Act of 1800, ch. 25, § 3, 2 Stat. 37, 38.

The heavy damages available under those early patent statutes were coupled with a regime under which patents were remarkably easy to obtain.[4] The combination of practically unrestricted access to patents and the promise of mandatory treble damages led to a great deal of litigation. On the one hand, patents were widely regarded with suspicion, and genuine inventors (such as Eli Whitney, the inventor of the cotton gin) struggled to enforce their rights.[5] On the other, a patent allowed its holder to threaten a ruinous damages award. To avoid that risk, many accused infringers paid royalties on patents with only the thinnest veneers of legality.[6]

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in favor of the patentee, as an *indication* for him, *not* to visit them again.'" Edward C. Walterscheid, *To Promote the Useful Arts: American Patent Law and Administration, 1798-1836*, at 210 (1998).

[4] *See Corning v. Burden*, 56 U.S. (15 How.) 252, 270 (1854) (under the 1793 Act, "[n]o examination was made by persons qualified to judge whether the alleged invention was new or useful, or had been patented before").

[5] *See* Andrew P. Morriss & Craig Allen Nard, *Institutional Choice & Interest Groups in the Development of American Patent Law: 1790-1865*, 19 Sup. Ct. Econ. Rev. 143, 177 & n.40 (2011) (quoting letter from Whitney describing his "'great difficulty in proving that the machine had been used in Georgia, although, at the same moment, there were three separate sets of this machinery in motion, within fifty yards of the building in which the court sat'").

[6] *See* Thomas Cooper, *The Emporium of Arts and Sciences* 435 (2d ed. 1813) (describing the problem of "frivolous, absurd, and fraudulent" patents that "threaten[ed] to become taxes on the community"); *see also Delano v. Scott*, 7 F Cas. 378, 382

As the congressional report accompanying the Patent Act of 1836 described the situation, a "considerable portion of all the patents granted [we]re worthless and void"; the "country [had] become[] flooded with patent monopolies"; and the result was a "great number of lawsuits daily increasing in an alarming degree, onerous to the courts, ruinous to the parties, and injurious to society." S. Rep. Accompanying Senate Bill No. 239, at 3, 24th Cong., 1st Sess. (1836). It recommended changes not only to protect the "original and meritorious inventor [who] sees his invention pirated from him," but also to stop the "unjust and iniquitous" practice of "exact[ing]" a "patent price or commutation tribute" for inventions that "ha[ve] been long in public use." *Id.* at 3-4.

The result was the Patent Act of 1836. That statute eliminated both the ministerial standard for issuing patents and mandatory treble damages for infringing them. In place of the ministerial standard, the 1836 Act created the Patent Office to evaluate the legitimacy of patent applications. In place of mandatory treble damages, § 14 provided an entitlement to "actual damages," and authority for the district court to increase the actual-damages amount by up to three times, "according to the circumstances of the case." Ch. 357, § 14, 5 Stat. at 123.

(E.D. Pa. 1835) (describing a "case recorded of a patent for using the common stone coal in a common blacksmith's forge"; by "exhibiting his parchment patent with the great seal of the department of state, and the signatures of the high officers of government," the patentee was able to "alarm an ignorant smith, and sell him a right for two or three dollars, or whatever he could get for it").

B. The Courts Treated Enhanced Damages Under the 1836 Act as Punitive Damages

1. *Seymour v. McCormick* Reserved Enhanced Damages for the "Wanton and Malicious Pirate"

In *Seymour*, this Court gave the enhanced-damages provision of the 1836 Act an authoritative interpretation as punitive. The patentee in that case was Cyrus McCormick, the iconic American inventor who patented the first mechanical reaper.[7] At issue in *Seymour* was not McCormick's original reaper patent (which had expired) but a later patent for a seat-and-reel design that allowed farmers to sit on the reaper rather than walk beside it. *See* 57 U.S. (16 How.) at 491. A jury found that Seymour (a manufacturer) had infringed the seat-and-reel patent and that the patent was valid. The jury awarded damages based on the entire value of the reapers, rather than the value added by the seat and reel. *See id.* at 485. On appeal, Seymour argued that the award exceeded the statutory remedy of "'actual damage[s]'" under § 14. *See id.* at 481-82.

This Court agreed. It explained that the 1836 Act made enhanced damages discretionary because a "very great injustice" had resulted under the mandatory trebling regime: "The defendant who acted in ignorance or good faith was made liable to the same penalty with the wanton and malicious pirate." *Id.* at 488. Drawing an analogy to common-law punitive damages, the Court identified § 14 as similar to the rule that permitted "vindictive or exemplary

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[7] The London Times described McCormick's reaper as a "'cross between an Astley chariot, a wheelbarrow, and a flying machine.'" Gordon M. Winder, *The American Reaper: Harvesting Networks and Technology, 1830-1910*, at 160 (2012).

damages, not to recompense the plaintiff, but to punish the defendant," if the injury caused by the defendant was "wanton or malicious." *Id.* at 489.

As the *Seymour* Court explained, an award of the entire value of Seymour's reapers went so far beyond making McCormick whole that the Court equated it with punishment rather than compensation. By making "even the smallest part" of the challenged invention "equal to the whole," the trial court had blurred the line between "'actual damages' to the plaintiff" and "penalties on the defendant." *Id.* at 490-91. The Court refused to permit that blurring. McCormick could recover only the "usual license price" for the seat-and-reel improvement. *Id.* at 491.

2. Other Pre-1952 Cases Support the Necessary Link Between Culpability and Enhanced Damages

Seymour identified the target for enhanced damages as the "wanton and malicious pirate," 57 U.S. (16 How.) at 488, which alone would suggest that enhanced damages would be appropriate only where a defendant's acts were highly culpable. Other nineteenth-century cases involving traditional punitive damages further support the point. *See, e.g., Philadelphia, W. & B. R.R. Co. v. Quigley*, 62 U.S. (21 How.) 202, 214 (1859) ("Whenever the injury complained of has been inflicted maliciously or wantonly, and with circumstances of contumely or indignity, the jury are not limited to the ascertainment of a simple compensation for the wrong committed against the aggrieved person."). That is still the law of punitive damages today. *See State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 419 (2003) ("[P]unitive damages should only be awarded if the defendant's culpability, after having paid compensa-

tory damages, is so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence.").

Applying that principle in the patent context, this Court ruled out penalties for infringement where the defendant's conduct was not culpable. In *Livingston v. Woolworth*, 56 U.S. (15 How.) 546 (1854), decided earlier in the same Term as *Seymour*, the Court reversed an award of damages that had been justified as "punishment" for infringement, reasoning in part that there had been "no ground whatever" for the imposition of a "penalty" because the defendants there "might well have supposed" that they had a right to use the patented invention based on a license from a different patent holder. *Id.* at 559-60. Similarly, in *Mowry v. Whitney*, this Court found that a defendant's "infringement was not wanton" because he had a patent of his own and so "had before him the judgment of the Patent Office that his process was not an invasion of the patent granted to the complainant." 81 U.S. (14 Wall.) 620, 653 (1872); *id.* (refusing to award interest for this reason).[8]

The circuit courts did likewise. In *Brown Bag Filing Machine Co. v. Drohen*, the Second Circuit affirmed a district court's refusal to enhance damages:

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[8] This Court also recognized the punitive character of enhanced damages under § 14 in *Root v. Railway Co.*, 105 U.S. (15 Otto.) 189, 196 (1882), and *Tilghman v. Proctor*, 125 U.S. 136, 143-44 (1888), on which the *Halo* petitioners rely. They cite those cases to show that the infliction of punitive damages was discretionary. *See* Halo Br. 14-15. True, a district court may in its discretion decline to punish willful infringement, *see* Pet. App. 142a n.1 (Taranto, J., concurring in denial of rehearing en banc), but its discretion is still discretion to punish misconduct. That classification of enhancement as punitive cabins its permissible uses.

the case did not "warrant[] the application of the [enhanced damages] statute" because "[t]he defenses presented debatable questions, and it [could not] be said that the defendant's course was actuated by malice or bad faith." 175 F. 576, 577 (2d Cir. 1910). In *Vrooman v. Penhollow*, the Sixth Circuit perceived "no foundation for double damages" because the defendant could not "be regarded as intending a willful injury." 222 F. 894, 899 (6th Cir. 1915).[9] And in *B.F. Goodrich Co. v. Consolidated Rubber Tire Co.*, the Seventh Circuit affirmed a refusal to enhance damages because, despite circumstances that indicated willfulness, it was not "clearly convinced that good faith [was] absent." 251 F. 617, 625 (7th Cir. 1918). Many pre-1952 district court cases similarly treated the absence of willful misconduct as incompatible with enhanced damages.[10]

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[9] The Sixth Circuit made the same point in a number of other pre-1952 cases. *See Clark v. Schieble Toy & Novelty Co.*, 248 F. 276, 284 (6th Cir. 1917) (finding "no foundation for treble damages" because the defendant "c[ould] scarcely be treated as having intended a willful injury"); *General Motors Corp. v. Dailey*, 93 F.2d 938, 942 (6th Cir. 1937) ("Simply questioning the validity of the patent does not constitute wilful infringement."); *Enterprise Mfg. Co. v. Shakespeare Co.*, 141 F.2d 916, 921 (6th Cir. 1944) ("If honestly mistaken as to a reasonably debatable question of validity, an infringer should not be made to smart in punitive damages.").

[10] *See, e.g., Brodie v. Ophir Silver Min. Co.*, 4 F Cas. 202, 204 (C.C.D. Cal. 1867) (power to increase damages "should only be exercised to remunerate parties who have been driven to litigation to sustain their patents by wanton and persistent infringement"); *Welling v. La Bau*, 35 F. 302, 304 (C.C.S.D.N.Y. 1888) (no enhanced damages because "the defendant's course, though annoying to the complainant, was not, in a legal sense, wanton, unjustifiable, or vexatious"); *Toledo Computing Scale Co. v. Moneyweight Scale Co.*, 178 F. 557, 567 (C.C.N.D. Ill. 1910) ("[W]hile showing an aggravated case of unfair competi-

C. The Patent Act of 1952 Incorporates the Historical Culpability Requirement

The Patent Act of 1952 left the rule governing enhanced patent damages substantively unchanged. Current § 284, like previous § 14, does not prescribe a standard for enhancing damages: it states merely that "the court may increase the damages up to three times." Nothing in the statutory text indicates any legislative desire to make enhanced damages available for infringement outside the punitive context recognized by *Seymour*, *Livingston*, and similar cases. To the contrary, § 284 defines ordinary, non-enhanced damages as "damages adequate to compensate for infringement"; thus, enhanced damages are more than necessary for adequate compensation.

As a result, this is a case in which Congress has acted against the background of a "longstanding and well-known construction" of a prominent federal statute; in which Congress has "made substantive

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tion, [the facts] should not subject defendant to increased damages because it was not then knowingly infringing "), *aff'd*, 187 F. 826 (7th Cir. 1911); *Vortex Mfg. Co. v. Ply-Rite Contracting Co.*, 33 F.2d 302, 313 (D. Md. 1929) (disagreeing with plaintiff's "claims that defendants' conduct has been sufficiently aggravating and wanton as to warrant the imposing of treble damages"); *Creagmile v. John Bean Mfg. Co.*, 32 F. Supp. 646, 649 (S.D. Cal. 1940) (defendants' evidence "sufficient to negative any bad faith in the infringing acts of the defendants so as to preclude any right of plaintiffs to recover aggravated damages in this action"); *Wedge v. Waynesboro Nurseries, Inc.*, 31 F. Supp. 638, 644 (W.D. Va. 1940) (refusing to apply "the triple-damages statute" because the defendants "believed [the patents] to be invalid" and the court had rejected their invalidity defense only after "careful study and consideration"); *see also Guyon v. Serrell*, 11 F. Cas. 132, 133 (C.C.S.D.N.Y. 1847) (pre-*Seymour* case finding enhanced damages inappropriate where "[t]he party infringing the patent may have been misled by the specification, and have honestly supposed that it was void").

changes to the statute in other respects"; but in which Congress gave no "indication that [it] intended to alter" the rule adopted in this Court's cases. *Ankenbrandt v. Richards*, 504 U.S. 689, 700-01 (1992). In similar circumstances, this Court has often concluded that the legislature has "'adopt[ed] th[e] interpretation'" previously advanced by the judiciary. *E.g.*, *id.* at 701 (quoting *Lorillard v. Pons*, 434 U.S. 575, 580 (1978)); *Square D Co. v. Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409, 419-20 (1986) (giving weight to a showing that Congress "carefully reexamined [an] area of the law" and did not "see fit to change" settled precedent); *see also Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2246 (2011) (adhering to pre-1952 case law that Congress manifested no intention to change).

That conclusion is reinforced by post-1952 cases in which this Court has referred to the culpability requirement for enhanced damages, using the somewhat more modern term "willful" in place of *Seymour*'s "wanton and malicious." *See, e.g.*, *Dowling v. United States*, 473 U.S. 207, 227 n.19 (1985) ("Among the available remedies are treble damages for willful infringement."); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964) (observing that a patentee "could in a case of willful or bad-faith infringement recover punitive or 'increased' damages under the statute's trebling provision").[11] The Federal Circuit also treated the rule as established

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[11] *See Safeco*, 551 U.S. at 57 (citing Prosser & Keeton for the proposition that courts have "'consistently ignored" any "distinctions" between the "terms 'willful,' 'wanton' and 'reckless'"); Daniel B. Dobbs, et al., *The Law of Torts* § 32 n.1 (2d ed. 2011) (observing that it is "almost impossible" and "in any event serves no purpose" to attempt to distinguish among willful, wanton, and reckless conduct).

shortly after the creation of that court. *See Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985) ("It is well-settled that enhancement of damages must be premised on willful infringement or bad faith."). It is further reinforced by Congress's recent enactment of 35 U.S.C. § 298, which refers to the traditional test for "willful[] infringement." *See infra* pp. 29-30.

Traditional principles of statutory interpretation and of *stare decisis* weigh strongly in favor of retaining the long-held understanding that enhanced damages for patent infringement are punishment appropriate only for willful, egregious conduct. Notably, several *amici* that have urged this Court to reject the Federal Circuit's *Seagate* precedent – including, most conspicuously, the Solicitor General – agree that § 284 incorporates a historical requirement for culpable conduct before a district court may enhance damages. *See* U.S. Br. 15 ("[T]he settled understanding [in 1952] was that enhanced damages should not be awarded in the typical patent-infringement case, but should be reserved to punish egregious conduct that the district court concluded was intentional, willful, or undertaken in bad faith.").[12] Although the present *amici* disagree with other parts of the Solicitor General's position – and, in particular, believe

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[12] *See also* AIPLA Br. 3 ("[w]illfulness has always been a necessary predicate" for enhanced damages); Ericsson Br. 22 (urging the Court to "hold, in line with many of its prior cases, that enhancement is appropriate for willful or bad-faith infringement"); IP Professors Br. 3 (enhanced damages should be imposed only for "egregious or especially wrongful infringement of a patent generally known as willful infringement"); *cf.* Askeladden Br. 3-6, 9 (taking no position on whether *Seagate* should be retained; arguing that willfulness was an "established standard" in 1952; "no basis" to think Congress changed it).

that the punitive purpose of § 284 weighs strongly in favor of retaining the objective element of the *Seagate* analysis, *see infra* Part II – that key point of agreement is worth noting.

D. Enhanced Damages Cannot Be Used for Compensatory, Non-Punitive Purposes

Petitioners argue that enhanced damages under § 284 should not be limited to culpable conduct, and can instead be "appropriately punitive, compensatory, or both." Halo Br. 15; *see* Stryker Br. 29-30 ("[f]rom 1836 forward, [c]ourts continued to enhance damages for compensatory purposes"). There is a fatal textual flaw in that argument: it overlooks Congress's definition of ordinary damages as the amount "adequate to compensate for the infringement." 35 U.S.C. § 284. But even if petitioners could solve that problem (which they cannot), their position would still lack basis in precedent or history.

Petitioners cite no case from this Court or any court of appeals that has upheld an award of enhanced damages from 1836 to the present day without an accompanying finding of punishable fault on the part of the infringing defendant. Nor do they cite any trial or district court case during that 180-year period that awarded enhanced damages without a culpability finding.[13] Instead, they rely on state-

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[13] Neither *Russell v. Place*, 21 F. Cas. 57 (N.D.N.Y. 1871), which enhanced damages for infringement that "seem[ed] deliberate and intentional," *id.* at 58, nor *Grant Paper Box Co. v. Russell Box Co.*, 106 F. Supp. 616 (D. Mass. 1952), *aff'd*, 203 F.2d 177 (1st Cir. 1953), which relied in part on a finding of "'carelessness,'" *id.* at 619, are to the contrary. Although those cases should have made a clearer finding of willfulness, neither suggested that it would be appropriate to enhance damages against an innocent infringer for purely compensatory reasons.

ments by courts recognizing that enhanced damages – where available – have the effect of compensating plaintiffs for losses not otherwise recoverable. Those cases do not support their request for a new rule that a district court has discretion to enhance damages without finding that punishment is warranted.

For example, to show that enhanced damages can be used for a compensatory purpose, the *Stryker* petitioners cite *Clark v. Wooster*, 119 U.S. 322 (1886). But *Clark* does not help them. That case recognized the "general rule in patent causes" that "established license fees are the best measure of damages that can be used." *Id.* at 326. The Court then went on to add:

> There may be damages beyond this, such as the expense and trouble the plaintiff has been put to by the defendant, and any special inconvenience he has suffered from the wrongful acts of the defendant; but these are more properly the subjects of allowance by the court under the authority given to it to increase the damages.

Id. To begin with, there were no enhanced damages at issue in *Clark*. The Court was merely affirming an actual damages award based on license fees. *See id.* at 324. To the extent the Court addressed the enhanced-damages standard in dictum, its reference to the "wrongful acts of the defendant" suggests that it had in mind the sort of culpable conduct described in *Seymour*. Run-of-the-mill patent infringement is a strict-liability tort that, although actionable, is not "wrongful" in the ordinary meaning of that term. Finally, the Court's reference to the plaintiff's "expense and trouble" most naturally refers to attorneys' fees, now reimbursable under a separate statutory provision, *see* 35 U.S.C. § 285. If the expense and trouble

of litigation had ever been recognized as a separate basis for enhancing damages, the provision of express authority to award attorneys' fees would undermine that rationale.

Day v. Woodworth, 54 U.S. (13 How.) 363, 371 (1852), and *Teese v. Huntingdon*, 64 U.S. (23 How.) 2 (1860), on which petitioners rely, *see* Halo Br. 15; Stryker Br. 30-31 n.5, are even less helpful to them. *Day* was a trespass case that referred to patent damages in passing, *see* 54 U.S. (13 How.) at 372, and nowhere suggested that courts could enhance damages where the defendant was not at fault. To the contrary, the *Day* Court's discussion of punitive damages drew a specific connection between "wanton and malicious[] or gross and outrageous" conduct by the defendant and a court's traditional ability to award damages "by way of punishment or example." *Id.* at 371. *Teese*, a patent case, held only that evidence of the plaintiff's attorneys' fees had properly been kept from the jury. *See* 64 U.S. (23 How.) at 8-9. Like *Clark*, it observed that enhanced damages could have the effect of compensating a patent holder for "unnecessary expense and injury," *id.* at 9, but did not state that such compensation was available from an innocent (or even negligent) defendant.

In addition, to the extent that some nineteenth-century authorities viewed enhanced damages as appropriately serving compensatory purposes, that does not weigh against viewing such damages as purely punitive under § 284. As this Court recognized in *Cooper Industries v. Leatherman Tool Group, Inc.*, there was a practice that lasted "[u]ntil well into the 19th century" of using "punitive damages to compensate for intangible injuries," which could not otherwise be redressed under the "narrow conception of

compensatory damages prevalent at the time." 532 U.S. 424, 437 n.11 (2001). That blurring of the lines did not outlast the nineteenth century. *See Exxon Shipping Co. v. Baker*, 554 U.S. 471, 492 (2008) (quoting treatise describing the "'almost total eclipse of the compensatory function' in the decades following the 1830s").

By 1952, when Congress passed the current version of § 284, it would have agreed with the "consensus today that punitives are aimed not at compensation but principally at retribution and deterring harmful conduct." *Id.* at 492-93. It also had before it no judicial decisions that had applied the existing enhanced-damages provision, as interpreted by *Seymour*, to permit enhancement for merely compensatory purposes. The only appropriate conclusion is that Congress intended the enhanced-damages provision in § 284 to reaffirm district courts' existing authority to punish wrongful conduct.

II. PUNISHMENT FOR PATENT INFRINGEMENT REQUIRES THE KNOWING OR RECKLESS VIOLATION OF AN OBJECTIVELY CLEAR LEGAL DUTY

A. Basic Principles and Established Practice Show the Need for an Objectively Clear Line Before Imposing Punishment

Because enhanced damages are meant to punish wrongdoing, the conduct that will trigger them must be clearly defined. As Justice Holmes said in the context of criminal theft, "it is reasonable that a fair warning should be given to the world[,] in language that the common world will understand, of what the law intends to do if a certain line is passed. To make the warning fair, so far as possible the line should be clear." *McBoyle v. United States*, 283 U.S. 25, 27

(1931);[14] *see also FCC v. Fox Television Stations, Inc.*, 132 S. Ct. 2307, 2317 (2012) (explaining the "fundamental principle in our legal system that laws which regulate persons or entities must give fair notice of conduct that is forbidden or required"); *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 574 (1996) ("Elementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice" about "the conduct that will subject him to punishment "); *cf. Screws v. United States*, 325 U.S. 91, 103 (1945) (plurality opinion) ("The constitutional requirement that a criminal statute be definite serves a high function."). The line whose crossing triggers punishment must be clear and objectively knowable not only for fairness but also because the threat of punishment in a neighborhood of fuzzy lines will deter legal, beneficial conduct. *Cf. United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942) ("A zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field.").

For these reasons, in cases involving all kinds of intellectual property and in other diverse statutory

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[14] The facts of *McBoyle* itself bear some resemblance to a patent case: McBoyle had transported a stolen airplane in interstate commerce, and the question before the Court was whether he had violated a criminal statute that prohibited the transportation of a "'motor vehicle,'" defined to include "'an automobile, automobile truck, automobile wagon, motor cycle, or any other self-propelled vehicle not designed for running on rails.'" 283 U.S. at 26 (quoting Act of October 29, 1919, ch. 89, § 2 , 41 Stat. 324, 324, then codified at 18 U.S.C. § 408). Determining whether an airplane is a "motor vehicle" is not unlike determining whether broad claim language covers new machines unlike those listed in the narrow patent specification.

and regulatory contexts, courts have often required a showing that a defendant recklessly disregarded an objectively known or obvious risk of violation before finding punishable willfulness. Across a range of modern statutory regimes, willfulness has been defined to mean that a party "either knew or showed reckless disregard for the matter of whether its conduct was prohibited by the statute." *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988) (discussing willful violations under Fair Labor Standards Act, Equal Pay Act, and other federal statutes). "While 'the term recklessness is not self-defining,' the common law has generally understood it in the sphere of civil liability as conduct violating an objective standard: action entailing 'an unjustifiably high risk of harm that is either known or so obvious that it should be known.'" *Safeco*, 551 U.S. at 68 (quoting *Farmer v. Brennan*, 511 U.S. 825, 836 (1994)).

In *Safeco*, this Court held that violations in failing to provide notices under the Fair Credit Reporting Act, Pub. L. No. 91-508, 84 Stat. 1114, based on "reckless disregard of statutory duty," are not punished as willful absent crossing an objectively clear line. *Id.* at 56-57 The Court explained that "[i]t is th[e] high risk of harm, *objectively assessed*, that is the essence of recklessness at common law." *Id.* at 69 (emphasis added; citing W. Keeton, et al., *Prosser and Keeton on Law of Torts* § 34, at 213 (5th ed. 1984)). "There being no indication that Congress had something different in mind, we have no reason to deviate from the common law understanding in applying the statute." *Id.*

In *Seagate*, the Federal Circuit held that a finding of willfulness required "at least a showing of objective recklessness," and adopted *Safeco*'s definition of

recklessness, requiring that "the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent" as a threshold inquiry. 497 F.3d at 1371. That interpretation of *Safeco* (and of the common law principles on which *Safeco* itself drew) finds support both in historical patent cases and in other areas of the law, including other intellectual property regimes.

1. Courts Do Not Punish Infringers in Objectively Close Cases

Courts have long considered an objectively reasonable defense to patent infringement – a "close case" – incompatible with the finding of willfulness that must precede imposition of enhanced damages. In particular, merely knowing of the patent's existence is not enough to trigger enhanced damages, because of uncertainty about patent claim scope, about whether particular acts constitute infringement, and about whether the patent is valid. It is not wrongful conduct, but beneficial and encouraged, to "design around" an existing patent by searching for a non-infringing way to solve the same problem.[15] It is likewise socially valuable to test an existing patent based on reasonable arguments that it is invalid.[16] Only when the risk of infringing a valid patent is so objectively high as to be known or obvious can an infringer be punished for willful infringement.

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[15] *See, e.g., State Indus. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) (incentive "to 'design around' a competitor's products, even when they are patented," is "[o]ne of the benefits of a patent system" and "should not be discouraged by punitive damage awards"); U.S. Br. 19 n.16.

[16] *See, e.g., Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313, 344 (1971) (policy of "encourag[ing] authoritative testing of patent validity"); U.S. Br. 21 n.18.

Judge Learned Hand's opinion in *Consolidated Rubber* illustrates this approach. Judge Hand expressed considerable frustration with the conduct of the defendants, writing that their "whole conduct ha[d] shown that [they] sought by every device to infringe the patent-in-suit with impunity" and criticizing one for "the deviousness throughout of its persistent effort to suck the value from the invention and not pay the price." 226 F. at 465. Nevertheless, he carefully examined the defendants' legal justifications for their conduct and compared them to developing case law over the period of infringement. For conduct during the time when "the validity of the patent remained open to honest question," *id.* at 464, he declined to impose enhanced damages. Only for conduct after a change in controlling precedent, by which point "every sensible man must have seen" that defendant's position was "not within the real meaning" of the case on which they relied, *id.* at 465, did he increase damages. Nothing in Judge Hand's opinion suggests that the subjective intent behind the defendants' conduct had changed. What differed – and what moved him to enhance damages for one period but not another – was the objective strength of their defense.

Other courts reached the same conclusion from the late nineteenth century onward, declining to increase damages where a defendant had an objectively plausible argument that the patent was invalid or not infringed. *See, e.g.*, *Welling*, 35 F. at 304 (declining to increase damages where the defendant "was justified in pressing his views upon the attention of the master and the court"; "[t]he mere fact that a defense is unsuccessful does not warrant the court in punishing the defendant for interposing it" and contesting "de-

batable ground"); *Toledo Computing Scale*, 178 F at 567 (declining to increase damages after a patent reissue because "validity and novelty were debatable questions, and defendant undoubtedly considered the reissue an invalid one, which it might treat with contempt"); *Rockwood v. General Fire Extinguisher Co.*, 37 F.2d 62, 66 (2d Cir. 1930) (reversing an award of punitive damages where the "validity of the patent and its infringement was open to honest doubt"); *Smith v. Prior*, 22 F. Cas. 629, 632 (C.C.D. Cal. 1873) (declining to increase damages "in view of the fact that there is reasonable ground of contest between these parties").

2. Similar Objective Tests for Willfulness Govern Other Areas of the Law

The Federal Circuit's use of *Safeco* as the standard for willfulness in patent law is in harmony with decisions of other circuits that have looked to *Safeco* as the test for willfulness under other statutory and regulatory regimes. Further, decisions of other circuits have read *Safeco* (as *Seagate* did) to stand for the proposition that an objectively reasonable defense to a claim of statutory violation bars punishment for willfulness, without any need for inquiry into a defendant's subjective mental state.

Trademark: Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), authorizes district courts to enhance damages for trademark infringement using language similar to the language of § 284 at issue here.[17] Although § 35(a) does not contain the word "willful," many courts have nevertheless treated a

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[17] *See* 15 U.S.C. § 1117(a) ("In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.").

willfulness test as a "gloss or screen in deciding what remedies to provide" under that section. *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012); *accord La Quinta Corp. v. Heartland Props. LLC*, 603 F.3d 327, 345 (6th Cir. 2010). In explaining that standard in *Fishman Transducers*, Judge Boudin adopted *Safeco*'s definition of willfulness as "conscious awareness of wrongdoing by the defendant or at least conduct deemed 'objectively reckless' measured against standards of reasonable behavior," and cited *Seagate* as according with that general principle. 684 F.3d at 191 & n.4.

Copyright: "[W]illful copyright infringement encompasses reckless disregard of the possibility that one's actions are infringing a copyright." *Yellow Pages Photos, Inc. v. Ziplocal, LP*, 795 F.3d 1255, 1271-72 (11th Cir. 2015) (collecting cases, and citing *Safeco*); *see also Olem Shoe Corp. v. Washington Shoe Corp.*, 591 F. App'x 873, 877-78 (11th Cir. 2015) (expressly endorsing *Seagate*'s two-step recklessness inquiry for copyright cases).

Fair and Accurate Credit Transactions Act:[18] Penalties under FACTA "depend on a violation being 'willful.'" *Van Straaten v. Shell Oil Prods. Co.*, 678 F.3d 486, 489 (7th Cir. 2012) (Easterbrook, J.) (quoting 15 U.S.C. § 1681n). Under *Safeco*, "only a reading that is 'objectively unreasonable' can be deemed a 'willful' violation." *Id.* *Van Straaten* accordingly rejected willfulness on appeal as a matter of law on review of a motion for summary judgment. *See id.* at 490-91; *see also id.* at 491 (Cudahy, J., concurring) ("According to *Safeco*, at least with unclear text and in the absence of authoritative guidance or case law,

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[18] Pub. L. No. 108-159, 117 Stat. 1952 (2003) ("FACTA").

the appropriate and *sole* measure of recklessness is objective reasonableness.") (emphasis added).

Uniformed Services Employment and Reemployment Rights Act:[19] "[T]he term 'willful' as used in § 4323(d)(1)(C) of USERRA refers to a knowing violation or action taken in reckless disregard of the obligations imposed by USERRA," which means "'something more than merely showing that an employer knew about the [statute] and its potential applicability in the workplace.'" *Fryer v. A.S.A.P. Fire & Safety Corp.*, 658 F.3d 85, 91-92 (1st Cir. 2011) (citing *Safeco* and cases applying it).[20]

Thus, where a statute imposes liability or increases damages for willfulness – either expressly, *e.g.*, 17 U.S.C. § 504(c)(2) (copyright), or by longstanding judicial interpretation, *e.g.*, *Fishman*, 684 F.3d at 191 (trademark) – courts have treated *Safeco* as the authoritative test. Those cases are in accord with pre-*Safeco* authority treating objective recklessness as a minimum standard for punishment in other statutory contexts.[21] In sum, this is not a situation in which

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[19] Pub. L. No. 103-353, 108 Stat. 3149 (1994) ("USERRA").

[20] *Safeco* has also been employed as a guide to whether an individual acts with "'reckless indifference' to truth or falsity," as necessary for liability under § 5 of the Federal Trade Commission Act. *FTC v. Network Servs. Depot, Inc.*, 617 F.3d 1127, 1140 & n.12 (9th Cir. 2010) (quoting *Safeco*'s definition of reckless conduct as "conduct violating an objective standard").

[21] *See, e.g.*, *SEC v. Steadman*, 967 F.2d 636, 641-42 (D.C. Cir. 1992) (holding that "the kind of recklessness required" to establish a securities violation involves "'a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it'"); *Saba v. Compagnie Nationale Air France*, 78 F.3d 664, 668-69 (D.C. Cir. 1996) (defining reckless disregard and willful misconduct under the Warsaw Convention as "'extreme recklessness'" that "'pre-

the Federal Circuit has created a patent-specific exception to a general federal rule. *Cf. Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 837 (2015) (rejecting an attempt to create an exception to Federal Rule of Civil Procedure 52(a)). Instead, the Federal Circuit has properly applied general principles set forth by this Court in harmony with other areas of the law and with the regional circuits. That careful approach deserves this Court's approval.

B. An Objectively Reasonable Trial Defense Should Bar Enhanced Damages

Enhanced damages are inappropriate where an infringer has an objectively reasonable defense of noninfringement or invalidity, whether that defense was formulated at the time of infringement or at the time of trial. Petitioners and the Solicitor General seek to shift the focus solely to the defendant's mental state, arguing that even an objectively reasonable defense cannot defeat enhanced damages unless the defendant had that particular defense in mind when it infringed. Halo Br. 24-25; U.S. Br. 28-31. But such a rule would be inconsistent with *Safeco*; with 35 U.S.C. § 298, enacted as part of the 2011 Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 17, 125 Stat. 284, 329; and with the need for meaningful appellate review of enhanced-damages awards.

1. *Safeco* Rejected Inquiry Into the Mental State of Defendants with Objectively Reasonable Defenses

Safeco expressly rejected the argument that one of the respondents in that case (Safeco) could be pun-

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sents a danger that is either known to the defendant or is so obvious that the actor must have been aware of it'"; discussing debates over whether the Convention also requires subjective knowledge).

ished for willfulness based on "evidence of subjective bad faith" even though Safeco's "reading of the statute" was "objectively reasonable." 551 U.S. at 70 n.20 (stating that such a rule would "defy history and current thinking"). Petitioners and the Solicitor General assert that the Court's statement "is best understood to refer to a defendant's understanding of the applicable legal requirement at the time of the misconduct." U.S. Br. 30 n.23 (emphasis omitted); *see* Stryker Br. 49. On its face, this Court's opinion in *Safeco* will hardly bear that reading: it focused on whether Safeco's reading of the statute had "a foundation in the statutory text," and on the district court's initial "rul[ing] in Safeco's favor," without suggesting that the company's mental state at the time of the statutory violation was at all relevant. 551 U.S. at 69-70.

A closer look at the question presented in *Safeco* removes any doubt. The district court in *Safeco* had found that the company had not violated the statute at all. The Ninth Circuit disagreed, finding a statutory violation.[22] It did not resolve the question of willfulness: instead, it remanded for the district court to take "specific evidence as to how the company's decision was reached, including the testimony of the company's executives and counsel." *Reynolds*, 435 F.3d at 1099. After this Court granted certiorari, the plaintiffs argued that there had not yet been "review by any court of the facts concerning [Safeco's] state of

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[22] *See Reynolds v. Hartford Fin. Servs. Grp.*, 435 F.3d 1081, 1090-93 (9th Cir. 2006), *rev'd sub nom. Safeco*, *supra*; *Spano v. Safeco Corp.*, 140 F App'x 746, 747 (9th Cir. 2005), *rev'd sub nom. Safeco*, *supra*. *Reynolds* was the lead Ninth Circuit case. *Spano* followed it (referring to it as "*Edo*," a consolidated case).

mind when [it] violated the statute," and urged this Court to remand so those facts could be determined.[23]

This Court instead held that there was "no need to remand for factual development" as to Safeco because "Safeco's misreading of the statute was not reckless." 551 U.S. at 71. It could not have been referring to Safeco's "understanding at the time of the misconduct," U.S. Br. 30 n.23, because no evidence of that understanding had ever been developed. It was instead squarely rejecting the Ninth Circuit's position that such facts were necessary. Notably, Safeco's prevailing position on this point was supported by the United States, which argued that a "purely legal inquiry into the objective recklessness of [a] defendant's failure to comply with the [statute] can, and generally should[] be undertaken at an early stage [of] the case."[24] If the inquiry turned on a defendant's past beliefs about the law, as the United States now suggests, it would be neither purely legal nor subject to early resolution.

Safeco also shows the error in petitioners' and the Solicitor General's contention that the Federal Circuit erred by focusing on recklessness rather than on knowing infringement. Halo Br. 23; Stryker Br. 46-47; U.S. Br. 28. There is no doubt that a willfulness

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[23] Resps. Joint Br. 2, *Safeco*, Nos. 06-84, et al. Safeco did not dispute that there was no evidence of its mental state. It argued that the alleged willfulness of its conduct was "an objective issue that turns purely on the text of [the statute] and existing law," leaving no need for "further factual development." Pet'rs Reply Br. 19, *Safeco*, Nos. 06-84, et al.

[24] U.S. Br. 23, *Safeco*, Nos. 06-84 et al. ("Only if the defendant's failure to comply with the law was objectively reckless would it become necessary for a court to probe, as the court of appeals invited here, the defendant's subjective good faith.") (citation omitted).

standard permits punishment for knowing violation of a clear legal norm. But that does not establish that the violation of an unclear norm counts as "knowing" misconduct that a court may punish. By its terms and on its facts, *Safeco* stands for the proposition that, whatever a defendant's beliefs or intent may have been at the time of challenged conduct, if that defendant has an objectively reasonable defense that it presents in court, it cannot be "treat[ed] as a knowing or reckless violator." 551 U.S. at 70 n.20.

2. Section 298 Forbids Punishing an Infringer for Failure To Obtain a Legal Opinion in Advance

Congress has also codified a very significant part of *Seagate*: the Federal Circuit's rule relieving accused patent infringers of the burden of developing their defenses prior to being sued in order to ensure they would not be punished for willful infringement. That codification, which was part of the America Invents Act, provides:

> The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent.

35 U.S.C. § 298. That is the result petitioners and the Solicitor General seek to achieve here: to use the failure to retain counsel to formulate a defense at the time of infringement to establish willfulness at trial, by disregarding the same reasonable defense when presented by trial counsel.

Technology companies, auto makers, and retailers receive many demand letters from patent holders. If objectively reasonable defenses are available, but a

company does not hire a lawyer to develop those defenses at the time of the demand, petitioners would have district courts treat the defendant as "no less culpable" on the basis of that defense. Stryker Br. 49; *see also* U.S. Br. 25. That approach would put the recipients of demand letters back in the bind that § 298 intended to remove. Those companies would have to acquiesce to the patent holder's demand, obtain an opinion of counsel immediately, or take the chance of a later willfulness finding.

Frequently, commissioning a legal opinion immediately after receiving a demand letter does not make sense, as both § 298 and the Federal Circuit's rule recognize. It is common in *amici*'s industries for a demand letter's recipient to deem the demand not credible on its face, and continue using the allegedly patented technology. In the vast majority of such cases, either validity or infringement is "open to honest question," *Consolidated Rubber*, 226 F. at 464, so that the defendant could have developed an objectively reasonable defense by retaining counsel for an opinion. Petitioners' argument thus amounts to a request to revive the "massive market in independent legal opinions," U.S. Br. 22 n.20, that existed before *Seagate* and that § 298 was expressly intended to eliminate.

3. Objective Reasonableness Is Important To Enable Meaningful Appellate Review of Enhanced Damage Awards

Respondents correctly observe that these cases do not present the question of the appellate standard of review for a district court willfulness finding. *See* Pulse Br. 10 & n.2 (citing Judge Taranto's concurrence below); Zimmer Br. 51-52. Nevertheless, an additional advantage of an objective-reasonableness

test is that it enables meaningful appellate review of enhanced-damages awards. Just as the defendants in *Safeco* obtained review of the willfulness finding against them as a matter of law, *see supra* pp. 27-29, and as other defendants have done in other cases, *see, e.g.*, *Van Straaten*, 678 F.3d at 490-91, patent defendants should receive de novo review before they are punished for violating unclear laws. *See* Google Br. 30-31 (explaining why appellate review of enhanced-damages awards is important).

C. At a Minimum, Objective Reasonableness Is Strong Evidence That Enhanced Damages Are Inappropriate

For the reasons given, this Court should preserve *Safeco*'s rule that an objectively reasonable defense at trial bars an award of enhanced damages in the patent context. If this Court declines to do so, however, it should nevertheless make two important points clear. *First*, the objective reasonableness of a defendant's position should always be strong evidence that enhanced damages are inappropriate and should require a special showing of culpability before the district court can award such damages. *Second*, a defendant should be permitted to rely on legal arguments regardless of when they were formulated.

To be clear, the plaintiff in a patent case always has the burden of proving that enhanced damages are appropriate. But where the defendant presents an objectively reasonable defense, that burden should be especially demanding (if not insurmountable). To overcome the powerful presumption against willful infringement that an "honest doubt" creates, *Rockwood*, 37 F.2d at 66, the district court should be required to identify on the record specific extraordinary circumstances that establish "wanton and mali-

cious pira[cy]," *Seymour*, 57 U.S. (16 How.) at 488, or the moral equivalent.

In addition, a defendant's mere failure to investigate a patent claim more thoroughly and commission a legal opinion before beginning or continuing to create and produce should never alone justify enhanced damages. That rule is necessary, at a minimum, to comply with Congress's mandate that a plaintiff can never establish willful infringement by relying on the defendant's "failure to obtain the advice of counsel." 35 U.S.C. § 298. *See supra* pp. 29-30.

Courts have long recognized that, just as the mere existence of a patent does not establish liability, a defendant's knowledge of a patent does not establish willful infringement worthy of punishment. Where a defendant has an objectively reasonable defense to liability, that should at least be a compelling indicator that enhanced damages are inappropriate.

CONCLUSION

The judgments of the court of appeals should be affirmed.

Respectfully submitted,

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ADDENDUM

Amici curiae

Applied Materials, Inc.
Association of Global Automakers, Inc.
BJ's Wholesale Club, Inc.
Computer & Communications Industry Association
CTIA – The Wireless Association
Dell Inc.
Facebook, Inc.
HP Inc.
HTC Corporation
The Internet Association
J. C. Penney Corporation, Inc.
Limelight Networks, Inc.
MGA Entertainment, Inc.
Micron Technology, Inc.
National Retail Federation
QVC, Inc.
Rackspace
Red Hat, Inc.
Samsung Electronics Co., Ltd.
SanDisk Corporation
SAS Institute Inc.
Varian Medical Systems, Inc.
VIZIO, Inc.
Xerox Corporation